

VI. FOOD FUNDS MANAGEMENT

Food funds management involves monitoring cost containment measures and procedures related to infant formula and other food items, the monitoring and management of State agency funding sources, and the accurate reporting of participation figures.

A. *Cost Containment Measures - 246.4(a)(14)(x)*: describe the policies and procedures used related to the implementation of cost containment measures as they relate to infant formula contracts, their approval and the processing of infant formula and/or other rebates, and food package cost containment practices.

B. *Funds Monitoring/798 Reporting - 246.4(a)(12); (14)*: describe the State agency's funding sources and how food obligations are calculated to allow for inflation, rebate cash management and monthly closeout monitoring activities.

C. *Participation Reporting - 246.4(a)(11)*: describe the methods used to accurately document and monitor participation at the State and local level, and methods for monitoring changes in participation by priority.

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A. Cost Containment Measures

A. COST CONTAINMENT MEASURES

1. The State agency seeks FNS approval related to infant formula cost containment measures (check one):

- ☐ for a waiver of the requirement for a single-supplier competitive system. State agency must complete a cost comparison projecting food cost savings in the single-supplier competitive system based on the lowest monthly net price or highest monthly rebate (as required in Section 246.16a(c)(3)(iii) and savings under an alternative cost containment system, Section 246.16a(d)(2)(B)
- ☐ to issue an infant formula bid solicitation that evaluates bids by highest rebate. State agency must demonstrate to FNS satisfaction that the weighted average retail prices for different brands of infant formula in the State vary by 5% or less, Section 246.16a(c)(3)(iii)
- ☒ not applicable

Please attach in the appendix supporting documentation for requests for FNS approval.

ADDITIONAL DETAIL: FOOD FUNDS MANAGEMENT APPENDIX

and/or Procedure Manual cite:

2. Cost Containment Contracts for Infant Formula

a. The State agency has a rebate contract/agreement for infant formula.

- | | |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| If yes, attach contract in Appendix | If no, check which applies:
<input type="checkbox"/> granted waiver
<input type="checkbox"/> ITO with participation under 1,000 |

b. The State agency acquires infant formula through (check all that apply):

- ☐ home food delivery system
- ☐ direct distribution food delivery system
- ☒ rebate retail food delivery system
- ☐ other (specify):

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A. Cost Containment Measures

c. The duration of the contract or rebate agreement(s) in effect is:

For a single-supplier system: Date contract/agreement:

Manufacturer	Began	Expires	Extensions
Mead Johnson	10/01/02	9/30/05	up to 2 one year extensions

For a multi-supplier system: Date contract/agreement:

Manufacturer	Began	Expires	Extensions

d. The rebates and net price per can paid are:

Product	Manufacturer	Rebate/Unit	Net price/Unit	% Discount
Liquid Concentrate	All are Mead Johnson			
Milk-Based				
Enfamil		2.9707	0.1093	96.4513
Enfamil Lipil		3.3179	0/1221	96.4513
Enfamil Low Iron		2.9707	0/1093	96.4513
Lactofree		3.0672	0/1128	96.4513
Soy-based Prosobee		3.1057	0.1143	96.4513
Other				
Powder (specify unit size)				
Milk-based				
Enfamil AR 14.3 oz.		9.8994	0.4906	95.2786
Enfamil Lipil 12.9 oz.		10.2139	0.5061	95.2786
Enfamil Low Iron 14.3 oz.		10.0900	0.5000	95.2786
Enfamil Next Step 12 oz		5.7834	0.2866	95.2786
Enfamil 14.3 oz		10.0900	0.5000	95.2786
Lactofree 14.3 oz		10.4325	0.5165	95.2786
Soy-based				
Prosobee 14.3 oz.		10.8046	0.5354	95.2786
Enfamil Next Step Soy 12 oz.		6.6123	0.3277	95.2786

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A. Cost Containment Measures

Other				
Ready to Feed (specify unit size)				
Milk-based				
Enfamil AR 32 oz.		4.2618	0.1982	95.5556
Enfamil Lipil 32 oz.		4.8351	0.2249	95.5556
Enfamil Low Iron 32 oz.		4.3000	0.2000	95.5556
Enfamil 32 oz.		4.3000	0.2000	95.5556
Lactofree 32 oz.		4.2522	0.1978	95.5556
Soy-based Prosobee 32 oz.		4.5771	0.2129	95.5556
Other				
Exempt Formula (specify):				

e. The percent of infants receiving each type of formula is estimated at:

<u>Type</u>	<u>Percent of Infants</u>
Milk-based liquid concentrate	21
Soy-based liquid concentrate	3
Milk-based powdered	61
Soy-base powdered	5
Milk-base ready-to-feed	0
Soy base ready-to-feed	0
Other infant formula (non-exempt includes milk-based lactose-free)	6
Exempt infant formula	3

ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (cite):

3. The State agency's infant formula rebate contract contains the following provisions (check all that apply):

☐ Does not apply (granted waiver or ITO with participation under 1000)

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A. Cost Containment Measures

- ☒ Establishes the contractor's responsibility to provide sufficient quantities of products covered by contract to all authorized WIC vendors in the State.
- ☒ Requires contractor to provide a rebate on all infant formulas it produces that the State agency chooses to issue, except exempt infant formulas
- ☒ Specifies that the rebate equals same percentage discount as the corresponding physical form (i.e., liquid concentrate) on wholesale cost as the rebate for which bids were received.
- ☒ Requires manufacturer to adjust for price changes subsequent to the bid opening. Inflation provision requires either a cent-for-cent increase in the rebate amounts whenever there is any change in the lowest national wholesale price for a full truckload of a particular infant formula.
- ☒ Specifies that the contractor shall pay the rebate in effect on the day the participant actually transacts the food instrument (regardless of the food instruments' issuance date).
- ☒ Requires payment of rebates on all infant formula purchased while contract is in effect, even though the contract may be void at the time payment is due.
- ☒ Requires contractor(s) to provide monthly or more frequent billing than quarterly billing.
- ☐ Requires advance payment of rebates, at least during the fourth quarter of each Federal fiscal year, to facilitate the State agency's cash flow situation.
- ☒ Stipulates sanctions for unfulfilled contract obligations (e.g., if payment is not made within 30 days of the invoice date, the contractor will pay the State agency with interest, at a rate specified in the contract, on the unpaid balance until such time as payment is made over and above the amount due from infant formula rebate.)
- ☒ Includes an extension option for a specified length of time. Terms and conditions of extension person(s) are specified in the request for bids and contract.
- ☒ Addresses billing discrepancies. Prohibits contractor from withholding rebate payments due under any circumstances. All disputes must be settled by closeout of the fiscal year in which the dispute occurred.

**ADDITIONAL DETAIL: Food Funds Management Appendix
and/or Procedure Manual (cite):**

4. Cost Containment for Other Foods

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A. Cost Containment Measures

a. Rebates are also obtained on other WIC foods.

- ☒ Yes (specify foods and attach contract in Appendix): Infant Cereal
☐ No

b. The State agency intends to pursue rebates on other authorized foods.

- ☐ Yes (specify):
☒ No

c. To contain food costs, the State agency has limited authorized foods.

- ☒ Yes (If yes, note such limitations on the following table)
☐ No

**ADDITIONAL DETAIL: Food Funds Management Appendix
and/or Procedure Manual (cite):**

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A. Cost Containment Measures

	Specific brands are designated/ Disallowed	Only certain container sizes are allowed	Allowable types are limited	Other
Exempt formula for women, infants & children				
Infant cereal	Gerber - contract	8 & 16 oz		
Infant juice				
Whole fresh fluid milk	Traditionall Least Expensive Brand (TLEB)	½ or 1 gallon		
Lowfat fresh fluid milk	TLEB	½ or 1 gallon		
Skim fresh fluid milk	TLEB	½ or 1 gallon		
Cultured buttermilk	TLEB	1/2 gallon		
Whole dry milk				
Lowfat dry milk				
Nonfat dry milk		9.6, 25.6, and 64 oz. Boxes		
Other milks (e.g., UHT, Lactaid) (specify):	Lactaid, Dairy Ease	½ gallon		
Cheese		1 and 2 lb		
Fresh eggs			A or AA Large, medium, or small No fertile, brown or free range	
Dried egg mix				
Hot cereal				

VI. FOOD FUNDS MANAGEMENT**A. Cost Containment Measures**

Cold cereal		Varies		
Single strength fruit/vegetable juice	TLEB	46 oz.		
Frozen concentrated fruit/vegetable juice	TLEB	11.5 and 12. oz.		
Peanut butter		18 oz	Without jelly, honey, candy; No reduced fat or peanut spread	
Dry beans/peas		1 lb.	No seasoned	
Tuna		6 oz. cans	Chunklite packed in water; no albacore solid white	
Carrots		1 or 2 lbs fresh; or 14-16 oz cans	No baby or with tops	

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B. Funds Monitoring/798 Reporting

B. FUNDS MONITORING/798 REPORTING

1. The State agency has procedures to assure that the requirements are met regarding the nonprocurement of food in bulk lots, supplies, equipment and other services from entities which have been debarred or suspended.

☒ Yes

☐ No

ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (cite):

2. **Food Cost Obligations**

- a. The State agency calculates food obligations based on the following data which estimates volume and cost (check one):

- ☐ number of expected participants and average food cost per participant
☐ number of expected participants by category (e.g., pregnant woman, infant, etc.) and average food cost per participant category
☒ number of expected redemptions by food instrument type and average value per food instrument type
☐ other (specify):

- b. The State agency estimates the impact of inflation on food costs through the use of the following inflation escalators:

- ☒ Inflation factor used in Federal funding formula
☐ State-generated estimates of inflation based on State market basket of foods
☐ Best guess by food item based on economic reports or other sources
☒ Other (specify): Current and historical food inflation in Texas

- c. The State agency ADP system automatically produces a monthly obligation amount

- ☒ Yes
☐ No, data are pulled from various sources and an estimated amount is calculated manually or with a PC spreadsheet
☐ Other (specify):

- d. The State agency system (in-house or contracted) provides the following data on food instrument redemptions at specific (daily, weekly, monthly, as needed) frequencies (check all that apply and provide frequency):

Frequency

monthly

Data

food instruments paid for issue month

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B. Funds Monitoring/798 Reporting

monthly	food instruments outstanding for issue month
when needed	food instruments that have expired
when needed	food instruments that are void/unclaimed

**ADDITIONAL DETAIL: Food Funds Management Appendix
and/or Procedure Manual (cite):**

3. Rebate Cash Management

- a. The State agency bases invoices to infant formula manufacturers for rebates on an estimate of the actual units purchased?**

_____ Yes _____ No

- b. The State agency reduces the invoice to allow for an "error rate" for infants not receiving all formula prescribed or for accidental redemption of noncontract formula**

☐ Yes, the error rate is
☒ No

ADDITIONAL DETAIL: Food Funds Management Appendix_____
and/or Procedure Manual (citation):_____

- c. The State agency uses a food instrument which enables it to identify the type and brand of infant formula redeemed.**

☒ Yes, for all formula types, brands, and physical forms
☐ Yes, for exempt infant formulas
☐ No

- d. The invoice to the formula manufacturer is issued by:**

☐ the WIC unit ☐ the State agency fiscal unit
☒ other (specify): Financial Management Division, Bureau of Support Services,
Associateship for Family Health

- e. Invoices are submitted with backup data.**

☒ Yes ☐ No

**ADDITIONAL DETAIL: Food Funds Management Appendix
and/or Procedure Manual (cite):**

4. Closeout of Report Month Outlays

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B. Funds Monitoring/798 Reporting

- a. **The State agency allows the food vendor the following number of days to submit food instruments for payment (provide the number of days):**

59 days from the participant's first valid date

- b. **The State agency is generally able to close out a report month completely within:**

- ☐ 90 days
☐ 120 days
☒ other (specify number of days): **150**

**ADDITIONAL DETAIL: Food Funds Management Appendix
and/or Procedure Manual (cite):**

5. **Indicate the method used to reimburse vendors for redeemed food instruments or other services and specify the entity responsible for making payment:**

State WIC	State FM	Other (Specify)
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	by check directly to vendor
<input type="checkbox"/>	<input type="checkbox"/>	by check directly to vendors' bank
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	by electronic transfer to vendors' bank
<input type="checkbox"/>	<input type="checkbox"/>	other (specify):

**ADDITIONAL DETAIL: Food Funds Management Appendix
and/or Procedure Manual (cite):**

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C. Participation Reporting

C. PARTICIPATION REPORTING

1. Participation Counting

- a. The State agency counts an enrollee who received at least one food instrument/food package (or was a breastfed infant of a participating breastfeeding woman) as a participant during:**

☒ the calendar month ☐ the computer system cycle month
☐ other (specify):

- b. The State agency receives participation counts from:**

☒ the State agency computer system based on food instruments issued to participants (manual and automated food instruments) and number of breastfed infants of participating breastfeeding women
☐ counts reported from local agencies based on issuance records
☐ other (specify):

- c. If State funds are present, the State agency differentiates between Federal-supported and State-supported participants by:**

☐ special code on food instrument
☐ special areas of State designated as State-supported areas
☐ pro rata allocation based on proportion of Federal to State funds spent
☐ other (specify):

- d. When local agencies are chronically late in furnishing food instrument and/or certification data needed for participation counts, the State agency:**

☒ sends warnings ☐ applies financial sanctions
☐ requires manual reporting ☐ other (specify):

ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (cite):

2. Participation by Priority

- a. Priority level is a critical data field in the State agency's computer system.**

☒ Yes ☐ No

VI. FOOD FUNDS MANAGEMENT

C. Participation Reporting

- b. The State computer system automatically assigns priority level based on the enrollee's nutritional risk condition.**

☒ Yes ☐ No

- c. The State agency's computer system revises the priority level determination when a participant changes category (e.g., infant becomes child and receives a child's food package).**

☒ Yes ☐ No

- d. The State agency has an "unknown" priority category for VOC transfers where priority is unknown.**

☐ Yes ☒ No

ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (cite):